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September 30, 2005

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

Re: Investigation by the Department of Telecommunications and Energy on its Own Motion to Increase the Participation Rate for Discounted Electric, Gas and Telephone Service, Pursuant to G.L. c. 159, § 105 and G.L. c. 164, § 76, D.T.E. 01-106/D.T.E. 05-55/D.T.E. 05-56

Dear Ms. Cottrell:

Boston Edison Company, Cambridge Electric Light Company and Commonwealth Electric Company, d/b/a NSTAR Electric, and NSTAR Gas Company (with NSTAR Electric, "NSTAR") are pleased to submit the following comments in response to the September 27, 2005 Memorandum (the "Memorandum") issued by the Hearing Officer in this proceeding. The Memorandum seeks comment on a cost recovery mechanism developed by the Department of Telecommunications and Energy (the "Department") that would allow electric and gas companies to recover certain costs relating to increased participation on utility discount rates as a result of: (1) traditional discount rate outreach efforts; and (2) the automatic enrollment of customers on discount rates that are identified through an electronic data matching program with the Executive Office of Health and Human Services ("EOHHS"). The Department's cost recovery mechanism has been presented as an alternative (the "Alternative Mechanism") to the cost recovery mechanisms proposed by NSTAR in the D.T.E. 05-55 proceeding and Massachusetts Electric Company and Nantucket Electric Company in the D.T.E. 05-56 proceeding, respectively.

In short, NSTAR supports the Department's Alternative Mechanism as a means of allowing electric and gas companies to recover incremental costs associated with likely future increased participation on electric and gas company discount rates. The Alternative Mechanism is similar to the mechanism proposed by NSTAR in that:

- (1) the mechanism would be effective November 1, 2005;
- (2) lost revenues would be calculated on a prospective basis, based on a forecast of expected discount rate-related lost revenues over a twelve-month period; and

- (3) the mechanism would allow over- or under-recoveries to accrue interest at the prime rate, consistent with 220 C.M.R. § 6.08(2).

In addition, the Alternative Mechanism will allow electric and gas distribution companies to recover lost revenues associated with future increased discount rate participation, whether related to traditional outreach methods or to the companies' participation in the EOHHS computer data matching program, based on a baseline of discount rate revenues that was collected over the twelve-month period ending June 30, 2005.<sup>1</sup> This feature of the Alternative Mechanism astutely addresses the likelihood of possibly significant increases in discount rate participation over the 2005/2006 winter heating season as a result of enrollment in income-eligible governmental programs, such as fuel assistance, in addition to the new incremental customers that will be enrolled on discount rates through the EOHHS computer matching program.

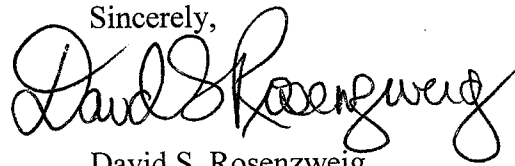
In an effort to facilitate the Department's review of compliant Residential Assistance Adjustment Clause ("RAAC") tariffs that would incorporate the Alternative Mechanism, NSTAR has attached a pro-forma RAAC tariff for the Department's consideration. NSTAR requests that the Department consider a minor clarification to the Alternative Mechanism. The Alternative Mechanism would require reconciliations to occur: (1) with annual transition charge reconciliation filings (for electric companies); and (2) with peak/winter Local Distribution Adjustment Factor filings (for gas companies). NSTAR supports these provisions. However, because NSTAR Electric's annual reconciliation filings include tariffs effective January 1 of the subsequent year, and the proposed RAAF mechanism would be effective on November 1, NSTAR Electric requests that, for the initial period, the Department allow NSTAR Electric and other electric companies with similar reconciliation schedules to reconcile and recover their actual lost revenues from November 1, 2005 through December 31, 2006 (*i.e.*, for 14 months) with the baseline level of discount rate revenues established pursuant to the Alternative Mechanism (*i.e.*, 12-months ending June 30, 2005). Thereafter, NSTAR would reconcile 12-months of discount-rate related lost revenues with the baseline level.

NSTAR will file formal compliance tariffs for each of the NSTAR operating companies as soon as the Department issues an order to do so, after its review of comments responding to the Memorandum.

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<sup>1</sup> In relation to the baseline revenues that would be established for NSTAR Gas, NSTAR recommends that the Department authorize that baseline to be based on weather-normalized revenues.

Thank you for your attention to this matter. Please contact us if you have any questions.

Sincerely,  
  
David S. Rosenzweig  
John K. Habib

Enclosures

cc: Jeanne Voveris, Hearing Officer  
Elizabeth Cellucci, Hearing Officer  
Service Lists, D.T.E. 01-106-B/D.T.E. 05-55/D.T.E. 05-56

**RESIDENTIAL ASSISTANCE ADJUSTMENT CLAUSE**

**RATE RAAC**

**1.01 Purpose**

The purpose of the Residential Assistance Adjustment Clause ("RAAC") is to provide Boston Edison Company ("Boston Edison" or the "Company") a mechanism for the recovery of lost revenue, on an annual basis and subject to the jurisdiction of the Department of Telecommunications and Energy (the "Department"), based on the incremental increase of Residential Assistance customers enrolled in the Company's discounted rate (Rate R-2) as a result of a computer data matching program with the Massachusetts Executive Office of Health and Human Services ("EOHHS"), as described in the Department's D.T.E. 01-106 order, as well as through traditional outreach programs. The RAAC would be subject to annual reconciliation/true-up based on actual sales and revenue.

**1.02 Applicability**

The RAAC shall be applicable to all Customers. For billing purposes, the RAAC shall be included in the Distribution Charge.

**1.03 Effective Date of Annual Adjustment Factor**

The Residential Assistance Adjustment Factor ("RAAF") shall be effective on November 1, 2005, with the RAAF being applied on January 1, 2006. The RAAF will be subject to an adjustment on the first day of each following calendar year pursuant to the reconciliation as described herein, unless otherwise ordered by the Department.

**1.04 Definitions**

The following terms shall be used in this tariff as defined in this section, unless the context requires otherwise.

- (1) "Distribution Company" or "Company" is Boston Edison Company d/b/a NSTAR Electric Company.
- (2) "Baseline Period" is the twelve month period ended June 30, 2005.
- (3) "Baseline Revenue" is the amount of low-income discount revenue in the Baseline Period. The Baseline Revenue shall be computed as the difference between the delivery rate revenue that would have been collected from customers had no low-income discount existed and the actual delivery rate revenue collected from customers on low-income tariffs during the Baseline Period.

**RESIDENTIAL ASSISTANCE ADJUSTMENT CLAUSE**

**RATE RAAC**

- (4) "Recoverable Revenue" is the actual amount of discount revenue in an annual period subsequent to the Baseline Period in excess of the Baseline Revenue. The discount revenue shall be calculated as described above in (3). The Recoverable Revenue shall not be less than zero.

**1.05 Residential Assistance Adjustment Factor Formula**

$$RAAF_x = [(RA_x) + \text{Cust}(DCust\$_x) + \text{Cust}(\text{AvgkWh})(DkWh\$)]/FkWh_x$$

RAAF = The annual Residential Assistance Adjustment Factor.

RA<sub>x</sub> = The Reconciliation Adjustment for Year<sub>x</sub> shall be the difference between the actual amount of revenue recovered in Year<sub>x</sub> and the Recoverable Revenue for Year<sub>x</sub>. Reconciliations shall be performed annually and interest shall be calculated on the average monthly reconciling balance using the prime rate computed in accordance with 220 C.M.R. § 6.08(2) and added to the reconciling balance.

Cust<sub>x</sub> = The estimated net increase in the number of customers enrolled on the Company's Residential Assistance Rate over that for the Baseline Period.

AvgkWh = The estimated average kWh usage per customer for the forecast period determined from the historical kWh usage under the Company's Residential Assistance Rate.

DCust\$ = The difference between the non-discounted and discounted customer charge for the applicable rates

DkWh\$ = The difference between the non-discounted and discounted kWh charges for the applicable rates.

FkWh<sub>x</sub> = The estimated total kWh sales in the forecast period.

**1.06 Information Required to be Filed with the Department**

Information pertaining to the RAAC shall be filed with the Department at least thirty (30) days before the date on which a new RAAF is to be effective. This information shall be submitted with each annual RAAF filing, along with complete documentation of the reconciliation-adjustment calculations.